

HOUSE RESEARCH ORGANIZATION • TEXAS HOUSE OF REPRESENTATIVES
P.O. Box 2910, Austin, Texas 78769
(512) 463-0752

Steering Committee:
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HOUSE RESEARCH ORGANIZATION

special legislative report

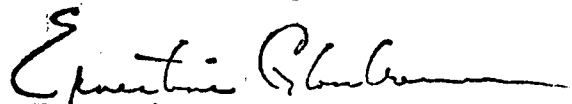
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WRAP-UP OF THE 1986 SPECIAL SESSIONS

The second called session of the 69th Legislature, meeting from Aug. 6 to Sept. 4, and the third called session, meeting from Sept. 8 to Sept. 30, resulted in enactment of legislation of major significance.

This report summarizes all legislation with statewide impact enacted during the August-September special sessions. It also includes a brief legislative history of each bill. For additional details, please consult the bill analyses in the House Research Organization Daily Floor Reports issued during the special sessions.


Ernestine Glossbrenner
Chair

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DEFICIT REDUCTION

The General Appropriations Act for Fiscal 1987

SB 1 by Jones, the General Appropriations Act for fiscal 1987, reduces by \$582.2 million the \$12.54 billion in general revenue appropriated by the General Appropriations Act for fiscal 1986-87 (HB 20 in 1985), the water agency reorganization act, and the Indigent Health Act. The reduction includes \$70.5 million saved by eliminating the 3-percent state employee pay raise scheduled by HB 20 for fiscal 1987.

SB 1 reduces the number of full-time state employee equivalent positions by 1,981. Three-quarters of these positions, 1,460, are in institutions of public and higher education. Executive and administrative agencies will lose 364 positions, and health, welfare, and rehabilitation agencies will lose 157. To offset anticipated unemployment claims from laid-off state workers, SB 1 appropriates \$8 million to the Unemployment Compensation Benefit Account.

Selected agency reductions include:

Executive and Administrative (Article 1)

Appropriations to the Department of Agriculture were reduced by \$2.1 million, or 10.9 percent, including a cut of \$788,000 from the imported-fire-ant program. The Attorney General's appropriations were cut by \$1.4 million, or 6.8 percent. The rider controlling child support collections was changed to allow the agency to retain collections from the first dollar collected and to allow the agency to keep up to \$4.6 million in collections. General-revenue appropriations to the Department of Community Affairs were decreased by \$349,000, or 64.4 percent. However, since the agency is almost 100 percent federally funded, the LBB expects that there will be no impact on direct services. The Comptroller of Public Accounts received a cut of \$10.5 million, or 9.7 percent less than appropriated by HB 20. This reduction consists almost entirely of voluntary savings, including the closing of 15 field offices in July 1986.

Funding for the Department of Corrections was left unchanged, and \$30 million in unexpended balances left over from fiscal 1986 was reappropriated, to fund compliance with federal court orders. Appropriations for the Board of Pardons and Paroles and the Adult Probation Commission were cut by 1 percent each. Appropriations for the Juvenile Probation Commission were cut by \$1.9 million, or 14.2 percent.

Funding for the State Ethics Advisory Commission was eliminated, saving \$57,000 in general revenue. The conference committee recommended that the Secretary of State and the Legislative Council provide legal support for the commission. No appropriations were made to the Good Neighbor Commission, which would have received \$194,000 in fiscal 1987. The Governor could continue the agency with appropriations from the Office of the Governor.

Appropriations for office operations of the Governor were cut by \$864,000, or 13.7 percent. Utility contingency grants, which are under the authority of the Office of the Governor, were reduced by \$8 million, or 80 percent. Appropriations to the Texas Historical Commission were cut by \$276,000, or 17.1 percent. More than half of this cut came in preservation grants for renovation of historic structures owned by public or non-profit organizations. The General Land Office was cut by \$400,000, or 3.8 percent, primarily reflecting voluntary savings.

Appropriations to the Parks and Wildlife Department were cut by \$2.4 million, a 13.4 percent cut in general-revenue appropriations, excluding statutory allocations of the cigarette tax. The Railroad Commission was cut \$3.3 million, or 12.3 percent. More than half of this saving comes from the oil and gas regulation program. General-revenue appropriations to the Department of Public Safety were cut by \$3.8 million, or 5.5 percent. Appropriations to the Treasury Department were increased by \$58,000, or 1.6 percent. Appropriations to the Texas Water Commission and the Texas Water Development Board made by SB 249 of the regular session were adjusted to eliminate the need for interagency contracts and more accurately reflect each agency's activities. The resulting general-revenue appropriations were then set 13 percent lower than in SB 249, and the agencies were given the ability to transfer funds among programs.

Health, Welfare, and Rehabilitation (Article 2)

The Department of Human Services lost 9 percent of its general-revenue funding, equal to \$86 million. However, \$59 million of this reduction will be offset by available interest that the state has earned from investing federal grants. General-revenue appropriations to the Texas Rehabilitation Commission were cut by 21 percent, or \$5.5 million, but \$4.1 million will be replaced with federal fund interest.

The Department of Mental Health and Mental Retardation was cut by \$22.6 million, or 3.8 percent. The department will be allowed access to federal and third-party reimbursements to replace \$16 million in general-revenue reductions. Reductions in administrative and auxiliary services, such as barbers, cosmetologists, and chaplains, account for \$6.3 million of TDMHMR's general-revenue cuts. The state

has postponed opening the Fort Worth and Houston Psychiatric Hospitals, saving another \$2.5 million. Appropriations for court-ordered compliance with life safety codes were increased by \$4.5 million.

The Department of Health lost \$12.3 million, or 8.2 percent, of the funding granted by HB 20. However, \$6.6 million of these cuts in general-revenue financing will be replaced by federal funds and interest on federal funds, leaving the department with a net loss of \$6.7 million, or 4 percent. The Texas Commission on Alcohol and Drug Abuse received 15.4 percent less in general-revenue funding for fiscal 1987, a net reduction of \$890,000. However, funds for community-based alcohol and drug treatment grants by the commission were increased by \$490,000. SB 1 also cuts the Texas Animal Health Commission funds by \$1.5 million, or 14.5 percent. The largest reduction is a cut of \$1.2 million in the calfhood brucellosis vaccination program.

Education (Article 3)

General-revenue funding of general academic institutions was cut by an average of 10.7 percent. SB 1 reduces the 1987 general-revenue appropriations that HB 20 made to institutions of higher education by 6 percent. It also cuts the equivalent of 4.5 percent of appropriations for fiscal 1986, which the institutions otherwise could have carried over to fiscal 1987. Institutions that overestimated anticipated tuition income for fiscal 1986 were compensated with an additional appropriation of \$21.2 million. General-revenue appropriations to Health Science Centers, medical schools, and dental schools were cut by 12.7 percent, and appropriations to public junior and community colleges were cut by 9 percent. Institutions of higher education were given broader discretion to allocate reductions and transfer funds between line items and among components within a system.

Judiciary (Article 4)

The total appropriation to courts and judicial agencies was cut by \$105,000. Court filing fees, which will be deposited in the newly created Judicial Fund, will offset another \$9.7 million in general revenue. SB 1 funded a new agency, the Court Reporter Certification Board.

General Provisions (Article 5)

The salaries for state employees for fiscal 1987 in SB 1 are the same as those for fiscal 1986 in HB 20. The 3-percent increase scheduled by HB 20 for fiscal 1987 was eliminated, saving \$70.5 million in general revenue. Some of the money that agencies would

have earmarked to partially fund the scheduled increases were cut out of their budgets for fiscal 1987, saving another \$13.5 million.

SB 1 will transfer \$33.1 million from special funds, which are established to maintain accounting for specific activities of an agency, to the General Revenue Fund by the end of fiscal 1987. The special funds losing the greatest amounts will be the Public Transportation Fund, from which \$6.8 million will be transferred; the Insurance Operating Fund, \$5.8 million; the Motor Vehicle Inspection Fund, \$2.7 million; the Well Plugging Fund, \$2.4 million; the Public Accountancy Fund, \$1.9 million; the Game, Fish, and Water Safety Fund, \$1.4 million; and the Criminal Justice Planning Fund, \$1.1 million. A total of 48 special funds will be affected.

Legislature (Article 6)

The budget for the Senate was cut by \$1.4 million, or 11.4 percent, and the budget for the House of Representatives was cut by \$2.6 million, or 12.1 percent. Other legislative agencies were cut by \$500,000, or 2.5 percent.

Repeal of State-Employee Salary Increase

SB 40 by Jones repealed the 3-percent salary increase for state employees for fiscal 1987, as did SB 1, the general appropriations bill for 1987. Since passage of a spending reduction bill before the start of fiscal 1987 was considered unlikely, SB 40 repealed the scheduled pay raise before it could take effect.

The repeal saves the state \$73.6 million, including \$70.5 million from the General Revenue Fund.

The SENATE passed SB 40 on Aug. 27 by 23 to 4 (Journal page 174). The HOUSE amended the bill to reinstate the pay increase if the Comptroller certifies that funds are available or if spending reductions were not passed by Oct. 1. The House passed SB 40 on Aug. 28 by 101 to 35 (Journal page 209). A conference committee adopted the House amendment reinstating the pay increase if spending reductions were not passed by Oct. 1. The SENATE accepted the conference committee report on Aug. 29 by 29 to 0 (Journal page 226). The House adopted the report on Aug. 29 by 131 to 4 (Journal page 226).

Extension of the Pay-Raise Repeal Deadline

The 3-percent pay raise scheduled to take effect on Sept. 1, 1986 was repealed by SB 40, enacted during the second called session, with the proviso that the pay raise would be reinstated if no general spending reduction bill were enacted by Oct. 1. As the Oct. 1 deadline approached, the Legislature enacted SB 52 by Jones, extending the deadline to Nov. 1, 1986. (SB 1, the general spending reduction bill making permanent the pay raise repeal, was finally enacted by the Legislature on Sept. 30 and took immediate effect when signed by Gov. Mark White on Oct. 6).

The SENATE passed SB 52 on Sept. 25 by 29 to 0 (Journal page 96). The HOUSE passed the bill on Sept. 30 by 138 to 1 (Journal page 222).

Special Fund Transfers to General Revenue

SB 6 by Jones requires the comptroller to transfer a total of \$33,117,016 from 48 separate special fund accounts to general revenue by Sept. 1, 1987. SB 1, the General Appropriations Act for fiscal 1987, makes the same transfers; the only real difference is that SB 6 makes special provision for the transfer from the pharmacy board operating account.

The SENATE passed the bill on Sept. 11 by 22 to 1 (Journal page 29). The HOUSE added \$27,689,911 from 45 other special funds to the amount included in the Senate version and passed the bill by non-record vote, 19 members recorded voting no, on Sept. 27 (Journal page 192). The SENATE refused to concur with the House amendment. A conference committee added a provision allowing the State Board of Pharmacy to make a series of deposits to the Treasury, as long as the Comptroller approves the timing, frequency, and amount of the deposits. The treasurer is then required to transfer to general revenue the deposits received from the board. The HOUSE adopted the conference report by non-record vote on Sept. 30 (Journal page 221), and the SENATE adopted it by 29 to 1, also on Sept. 30 (Journal page 151).

Transfers from the Highway Fund

HB 5 transfers \$24.6 million from the State Highway Fund to the General Revenue Fund. That amount represents the voluntary savings previously identified by the State Department of Highways and Public

Transportation. The bill also transfers \$18 million from the Highway Fund to the newly created Tuition Shortfall Fund, which will be distributed by the Coordinating Board, Texas College and University System, to institutions of higher education to compensate for shortfalls in the amount of anticipated tuition income for fiscal 1986.

The HOUSE passed HB 5 on Sept. 11 by 117 to 8 (Journal page 35). The SENATE amended the bill to create the Tuition Shortfall Fund and transfer to that fund \$18 million from the Highway Fund, then passed the bill on Sept. 24 by 26 to 0 (Journal page 88). The HOUSE concurred with the Senate amendments by 146 to 1 on Sept. 27 (Journal page 152).

Funding DPS from the Highway Fund

HB 3 by Ceverha/Waldrop removed the statutory limit of \$60 million on money that may be transferred from the State Highway Fund to the Department of Public Safety (DPS) for policing state highways and administering traffic laws. It also eliminated the requirement that a portion of the money transferred to DPS from the Highway Fund be transferred to the State Employee's Retirement System to cover DPS employee benefits.

The HOUSE passed HB 3 on Sept. 11 by non-record vote, nine members recorded no (Journal page 34). The SENATE passed HB 3 on Sept. 30 by 30 to 0 (Journal yet).

Transfer of Gasohol Tax Credits

SB 29 by Montford eliminates the transfer of money from the General Revenue Fund to the Highway Fund and Available School Fund to compensate for the loss of motor-fuel tax revenue resulting from tax credits to promote the sale of gasohol. The bill will save an estimated \$6.1 million in general revenue in fiscal 1987.

The SENATE passed SB 29 on Sept. 25 by 21 to 0 (Journal page 100). As passed by the Senate, SB 29 would not only have eliminated the general-revenue transfer but would also have reduced the quarterly cap on the amount of state revenue lost due to the gasohol tax credit.

The HOUSE deleted the reduction in the quarterly cap and passed SB 29 on Sept. 29 by 134 to 2 (Journal page 209). The SENATE concurred in the House amendment on Sept. 30 by a vote of 27 to 2, after a motion not to concur failed by a vote of 12 to 17 (Journal page 138).

Benefit Funds for Mental Patients

SB 9 by Farabee allows state mental-health institutions to use "benefit" funds to pay for patients' barber and cosmetology services. Each institution keeps a patient benefit fund comprised of private donations and other money raised by volunteers. State funding for those patient services was eliminated by SB 1, the fiscal 1987 appropriations act.

The SENATE passed the bill on Sept. 11 by 23 to 0 (Journal page 30). The HOUSE added an amendment clarifying that the expanded uses for the benefit funds include only barber and cosmetology services, then passed the bill by non-record vote, with five members recorded voting no (Journal page 142). The SENATE concurred with the House amendment by voice vote on Sept. 29 (Journal page 117).

Leased Office Space for Several State Agencies

HB 32 by Blanton amended the General Appropriations Act for fiscal 1986-87 to prohibit payments on or after Nov. 1, 1986 by several state agencies for leased office space vacated by Oct. 31, 1986. The affected agencies include the Comptroller, the Commission on Alcoholism, the Commission on Alcohol and Drug Abuse, the Department of Community Affairs, the Texas Youth Commission, and the Commission on Law Enforcement Officer Standards and Education. Ensuring that the state will not be forced to pay rent for office space that has been vacated by these agencies is expected to result in a savings for the state.

SB 1, the General Appropriations Act for fiscal 1987, includes the same provisions as HB 32 barring lease payments by certain agencies.

The HOUSE passed the bill on Aug. 25 by 112 to 7 (Journal page 107). The SENATE amended the bill to prohibit the other agencies in addition to the Comptroller's Office, from paying for unoccupied

leased office space, then passed it by 29 to 0 (Journal page 272). The HOUSE concurred with the Senate amendment by 106 to 1 on Sept. 3 (Journal page 275).

District-Court Filing Fee

On July 2, the Texas Supreme Court ruled that the increase in the district-court filing fee from \$25 to \$75, enacted in 1985 as part of the Omnibus Fee Act (HB 1593), violated the Texas Constitution. The Court held that the allocation of a portion of the court filing fee to general revenue, rather than specifically to court-related services, was equivalent to a tax levied on litigants for exercising their constitutional right to access to the courts. The General Revenue Fund would have received \$40 of the increased fee, and the district-court clerks would have kept the remaining \$35.

HB 27 by Rudd, sets the district-court filing fee at \$35, which will be retained by the district clerk, and establishes an additional filing fee of \$40, which will be deposited in a newly created Judicial Fund in the State Treasury. Court fees collected by the clerk of the Supreme Court and by the clerks of the courts of appeals that are currently deposited in the General Revenue Fund will also be deposited in the Judicial Fund. The Judicial Fund will be used to support the judicial branch, including funding enforcement of child support laws, replacing general revenue that is currently appropriated for judicial expenses.

HB 27 will save the General Revenue Fund an estimated \$9.7 million in fiscal 1987 and \$23 million in the 1988-89 biennium. Local governments will gain \$3.4 million in fiscal 1987 and \$7.1 million in 1988-89. HB 27 also transfers \$1.2 million from the Criminal Justice Planning Fund to the child support account of the Judicial Fund, and authorizes the attorney general to obtain up to \$850,000 in federal matching grants to be spent in conjunction with the child support account.

The HOUSE passed the bill on Aug. 22 by 97 to 24 after adopting an amendment reducing general revenue appropriations to the judiciary by the amount of the Judicial Fund and rejecting an amendment to allow the district clerks to retain all of the higher fee in family law cases (Journal page 94). The SENATE passed the bill on Aug. 28 by 27 to 2, after adding provisions allowing transfer of the Criminal Justice Planning Fund to the new Judicial Fund and appropriating \$1.2 million for child support enforcement (Journal page 204). The HOUSE refused to concur with the Senate amendments, and a conference committee was named. The conference report was substantially the same

as the Senate version. The HOUSE adopted the conference report on Sept. 4 by 110 to 13 (Journal page 294), and the SENATE adopted the report on Sept. 4 by 21-6-1 (Journal page 300).

Repeal of Interest on Tax Refunds

HB 78 by Schlueter repeals the requirement that the comptroller must pay 10 percent interest on refunds of state tax overpayments. Elimination of the interest payment will save the state an estimated \$1.1 million in fiscal 1987 and \$12 million over the next five fiscal years.

The HOUSE passed the bill by a non-record vote on Aug. 26 (Journal page 130). The SENATE passed the bill on Sept. 2 by 27 to 0 (Journal page 271).

Early Retirement for State Employees

HB 40 by Guerrero increases by 5 percent the monthly retirement benefits paid to state employees who retire between Nov. 30, 1986 and May 31, 1987. The bill is intended as an incentive for eligible employees to retire early during fiscal 1987, which could save the state as much as \$40 million in reduced salary costs.

The HOUSE amended the bill to prohibit state employees who retire under the provisions of the bill to be reemployed by the state, then passed the bill by 130 to 5 on Aug. 20 (Journal page 75). The SENATE changed the expiration date of the bill from Aug. 31, 1987 to May 31, 1987 and passed it on Aug. 28 by 29 to 0 (Journal page 205). The HOUSE concurred in the Senate amendment by 110 to 0 on Sept. 1 (Journal page 231).

Change in Payday for State Employees

HB 62 by Toomey changes the day on which state employees are paid from the last day of the month to the first working day of the next month. By shifting the pay day forward to the next month, the fiscal 1987 deficit will be reduced by an estimated \$197 million in general revenue and \$94 million in Special Funds.

The HOUSE passed the bill by voice vote on Aug. 20 (Journal page 76). The SENATE amended the bill to continue payment on the last of the month if the first working day of the next month falls on Saturday, Sunday, or a state holiday. The Senate passed the bill by voice vote on Sept. 2 (Journal page 274). The House refused to concur in Senate amendments. A conference committee was appointed and adopted the original House version of the bill, which was then adopted by the House on Sept. 4 by a non-record vote, three members recorded no, (Journal page 296) and by the Senate by voice vote, two members recorded no, on Sept. 4 (Journal page 300).

Interest on Local Taxes Collected by the State

SB 28 by McFarland clarifies that the state retains any interest earned on local taxes collected by the state and held on deposit prior to their distribution to local governments.

The state collects the sales tax, the bingo tax, the alcoholic beverage tax, and the banking corporation franchise tax for local governments. The local share of this tax money held by the state draws interest while on deposit before distribution to the localities. Comptroller Bob Bullock had excluded \$233 million in past retained interest from his revenue estimate for fiscal 1987 until the legal status of that interest money was clarified.

On Aug. 19, 1986, Attorney General Jim Mattox issued an opinion that local governments were entitled to the interest, but the Legislature could, if it wished, authorize the state to keep the money. SB 28 granted that authorization, thereby reducing by \$233 million the Comptroller's estimate of the fiscal 1987 general-revenue deficit.

The SENATE passed the bill by 27 to 0 on Aug. 27 after adopting a clarifying amendment (Journal page 176). The HOUSE passed the bill by 111 to 12 on Sept. 2 (Journal page 256).

Cash Management Notes

SB 5 by Farabee gives the state treasurer authority to issue tax and revenue anticipation notes (cash management notes). The General Revenue Fund experiences negative cash balances at the beginning of the fiscal year that peak in December and January. The proceeds from the sale of the notes will allow the state to pay its bills early in

the fiscal year. The notes will then be repaid over the course of the fiscal year as revenues flow into the General Revenue Fund. The proceeds from the sale of the notes can be invested in the meantime to generate revenue.

A cash management committee composed of the governor, the comptroller, the state treasurer, the speaker and the lieutenant governor approves the amount of cash management notes the state treasurer can issue. The governor must sign the notes.

The total amount of notes issued in a fiscal year plus interfund borrowing cannot exceed 20 percent of general revenue expected in that fiscal year. The proceeds from the notes must be used to cover temporary cash shortfalls in general revenue. The notes must be repaid in the fiscal year in which they are issued and do not constitute debt as defined in the Texas Constitution. All funds left over from the sale of the notes automatically revert to the General Revenue Fund at the end of each fiscal year. The interest rate on the notes must be set so that the state is guaranteed to earn at least 1 percent more than the total cost of issuing the notes and interest payments when the note proceeds are invested.

The Legislature can appropriate the cash management note proceeds to general revenue; it can also appropriate and general revenue to pay off the notes. SB 5 appropriates proceeds from any notes issued in fiscal year 1987 to pay off the notes. A rider in SB 1, the general appropriations bill, appropriates general-revenue money, if needed, to pay off any notes issued in fiscal 1987.

The SENATE passed SB 5 by 27 to 2 on Sept. 15 (Journal page 38). The HOUSE passed the bill by 110 to 25 on Sept. 29 after adopting some clarifying amendments (Journal page 206). The SENATE concurred in House amendments on Sept. 30 by 30 to 0 (Journal page 134).

Deferring Contributions to State Retirement Systems

SB 34 by Traeger defers the state contributions to the Employees Retirement System (ERS) and the Teacher Retirement System (TRS) from September 1986 through January 1987. It also defers the membership payments to the ERS for the same period. The deferred contributions will be repaid beginning in February 1987 in even monthly installments. The state treasurer will deposit to special reimbursement accounts the amount of money that the retirement funds would have earned on the deferred contributions had they been

invested. In fiscal 1988 the Legislature will appropriate to the retirement funds the actual amount that the retirement funds would have earned on the deferred payments or 8 percent interest, whichever is more.

SB 34 requires that partial contribution payments be made to the ERS and TRS reimbursement accounts through January 1987. The partial contribution must equal the monthly amount deposited in the special reimbursement account, i.e. the amount of the lost interest. SB 34 also allows the state to resume regular monthly contributions to the ERS and TRS prior to February 1987 if the state treasurer determines that enough money is available in the state treasury to pay the state's bills as a result of sale of cash management notes.

SB 34 will keep around \$64 million a month in the General Revenue Fund to help pay state bills that come due in the next few months. The bill is meant to help the state deal with a mismatch of revenue inflow and spending outgo exacerbated by the large budget deficit. The state normally experiences a cash shortfall at the beginning of the fiscal year, when expenditures exceed revenues, but it temporarily borrows enough from other state funds to cover the general revenue cash shortfall. However, the economic downturn has reduced expected revenues to such an extent that interfund borrowing may not be sufficient for the state to cover all of its obligations. Additional revenue from the tax bill (HB 79) will not begin flowing into the Treasury until early 1987 and thus will not reduce the large cash-flow deficits predicted in the General Revenue Fund at the beginning of the fiscal year.

As a result of a House amendment to SB 34 requiring deferred payments to be transferred on the first day of each month, the ERS and TRS received their normal state contribution for September 1986. The comptroller had delayed the September contribution in anticipation that SB 34 would be enacted and therefore the September contribution would be deferred. However, since the amendment required that deferred contributions be made on the first of the month, the September contribution was not included in the deferral, eliminating \$64 million from the amount that would otherwise have been deferred.

The SENATE passed the bill on Sept. 17 by 21 to 5 (Journal page 64). The HOUSE amended the bill to allow partial payment of state contributions through January 1987, to resume regular contribution payments prior to February 1987 if other funds were available to pay state bills due to the sale of cash management notes, to make the bill effective immediately if passed by two-thirds membership of the Senate and the House, and to require deferred payments to be made on the first day of the month. The HOUSE passed the bill by 106 to 34 on Sept. 30 (Journal page 220). The Senate concurred in the House amendments on Sept. 30 by 24 to 4 (Journal page 156).

TAXATION

Increase in State Sales and Motor-Fuel Taxes and Local Sales Taxes

State Tax Increases

HB 79 by Schlueter temporarily raises the state sales tax rate from 4.125 percent to 5.25 percent. The Legislative Budget Office estimates that the sales tax increase will raise \$582,408,000 in additional revenue.

HB 79 temporarily raises the tax rate on gasoline, diesel, and liquified gas from 10 cents per gallon to 15 cents per gallon. The bill also raises the tax rate on gasoline sold to transit companies from 9 cents per gallon to 14 cents per gallon and the tax rate on diesel sold to transit companies from 9.5 cents per gallon to 14.5 cents per gallon. The Legislative Budget Office estimates that the fuel tax rate increases will raise \$292,803,000 in additional revenue.

The tax increases become effective on Jan. 1, 1987. The rates will revert to the previous levels on Sept. 1, 1987.

The statutory dedication to the Highway Fund of one-tenth of the motor-vehicle sales tax, and the dedication of an amount of general revenue equal to one-eighth of the motor-fuels tax, will be suspended from Feb. 1 to Aug. 31, 1987. The Legislative Budget Office estimates that the suspension of these dedications will retain \$136,500,000 in the General Revenue Fund that would have gone to the Highway Fund.

The statutory dedication of \$15 million in general revenue to the Farm-to-Market Road Fund will be suspended for fiscal 1987.

The Legislative Budget Office estimates that the net result in fiscal 1987 and fiscal 1988 of the state tax increases and suspension of statutory dedications will be an increase of \$730,784,000 in the General Revenue Fund, \$72,108,000 in the Available School Fund, \$67,948,000 in the Highway Fund, \$2,899,000 in the Comptroller's Operating Fund, and \$1,472,000 in the Game, Fish and Water Safety Fund.

Local Sales Tax Optional Increase

HB 79 allows cities that are not within a transit authority's boundaries or in a county containing territory in a transit authority's boundaries to levy a 0.5 percent local sales tax. This tax is in addition to the existing optional 1 percent local sales tax that cities now may levy.

Counties that are not within a transit authority's boundaries may also levy a 0.5 percent sales tax. Counties that contain no incorporated city or town may impose a 1 percent county sales tax. Transit authorities that subsequently encompass part of a county that levies this sales tax cannot impose an additional sales tax.

The additional city and county sales taxes can be imposed only with voter approval. Voters can abolish the taxes through the same type of election used to create it. A city imposing the additional sales tax must call an election on the abolition of the tax no later than ten years from the prior election.

All revenue from the new city and county sales taxes must be used to offset property taxes. In setting the effective property-tax rate for each year, a city or county must reduce total projected revenue from its property tax by the amount of projected revenue from its sales tax. If projected sales tax revenue is less than sales tax revenue for the prior year, property-tax rates must increase to make up the difference.

If the additional sales tax raises more money than the prior year's property tax revenue, the excess revenue must be used to reduce city or county debt. If the debt is paid off, the city can use its sales tax revenue for any city purpose consistent with the city budget, and the county can use the revenue for any purpose for which county general revenue can be used.

An incorporated city with a population of more than 56,000, which does not impose the additional sales tax for property tax relief and which operates a mass transit system, may create a mass transit department with powers similar to a mass transit authority. After obtaining voter approval, the board of the mass transit department can levy a local sales tax of either 0.25 or 0.5 percent. Revenue from that tax must be dedicated to the mass transit department. For the first year that the mass transit tax is imposed, the city must reduce its property tax rate to a level that raises the same amount as the preceding year, minus the amount that the city spent for mass transit services.

The additional local sales tax provisions take effect Jan. 1, 1987. Any additional local sales tax approved during a year cannot take effect until Jan. 1 of the succeeding year, so the earliest that the tax can be levied will be Jan. 1, 1988.

The HOUSE passed HB 79 on Sept. 27 after rejecting amendments that would have dedicated 0.25 percent of the sales tax increase to prison construction, dedicated \$108 million of the new revenue to prison construction, allowed a temporary exemption from oil and gas severance taxes for production from new wells, and made the bill

contingent on adoption by both houses of HJR 3, the income tax prohibition, and HJR 4, creating an economic stabilization ("rainy day") fund. The House divided the question and voted separately on each major provision. The state sales tax increase passed by 86 to 61; the additional local sales tax passed by 107-38-2; the state motor-fuel tax increase passed by 78 to 68; and the suspension of the general revenue transfer to the Highway Fund passed by 97 to 49 (Journal page 191). The SENATE passed the bill by 25 to 5 on Sept. 30 (Journal page 154).

BANKING AND FINANCE

Branch Banking

Constitutional Amendment

The Texas Constitution, Art. 16, sec. 16, prohibits branch banking. The Texas Banking Code permits certain drive-in/walk-up facilities as far as 20,000 feet (3.8 miles) from the central building of each bank. On June 6, 1986, Attorney General Jim Mattox issued an opinion concluding that the statute permitting such detached facilities violated the constitutional ban on branch banking.

SJR 4 by Harris and Glasgow, if approved by the voters on Nov. 4, 1986, would amend the Constitution to permit countywide branch banking. SJR 4 would require the Legislature to allow Texas banks to operate banking facilities at more than one location within their home county, subject to limitations imposed by statute. The Legislature could permit a bank in a city that is located in two or more counties to operate branches within both its home city and its home county. The Legislature could permit a bank to acquire a failed bank anywhere in the state and operate it as a branch. A subsidiary of a bank-holding company would not be considered a branch or facility of another bank owned by the same bank-holding company.

SJR 4 would specifically authorize the incorporation of two different types of financial institutions -- state banks and state savings and loan associations. The branching provisions of SJR 4 would apply only to banks.

The SENATE passed SJR 4 on Aug. 20 by a vote of 26 to 2 (Journal page 115). The HOUSE considered SJR 4 on Aug. 26. It defeated a proposed amendment that would have eliminated the provision allowing branch banking and instead would have only allowed the Legislature to limit the number and type of detached banking facilities and the distance the facilities could be located from a bank's central building. SJR 4 was adopted by the House by 118 to 23 (Journal page 130).

Implementation

If SJR 4 is approved by the voters, it will be implemented by SB 10 by Harris and Glasgow, which would amend the Texas Banking Code to permit city- and countywide banking in Texas. SB 10 would permit a bank to operate three branch-office facilities more than 5,000 feet from its principal building and two drive-in facilities within 1,000 feet of each branch office. A bank could also operate an unlimited

number of bank facilities within 5,000 feet of its principal building. SB 10 would allow a bank-holding company to convert its subsidiary banks into branches of one bank, which would not be counted against the three-branch limit per bank. Two drive-in facilities could operate with 1,000 feet of each of these branches. Any independent bank (a bank not owned or controlled by a bank-holding company) that was acquired by a bank or bank-holding company could be converted into a branch of a bank and not counted against the three-branch limit per bank.

SB 10 would permit a bank acquiring a failed bank located in a different county to establish branches where the failed bank had owned or operated facilities at least six months prior to its failure. These out-of-county branches would be allowed if the Banking Commissioner determined that the acquired bank was a failed bank, that the acquisition was necessary to protect the depositors and creditors of the acquired bank, and that the acquisition was acceptable to the appropriate federal agencies.

The branching permitted by SB 10 would not apply to non-bank banks (banks offering limited services) and savings and loan associations.

SB 10 would also establish the third Monday in January (Martin Luther King's birthday) as a bank holiday.

The SENATE considered SB 10 on Aug. 20. It defeated proposed amendments to require that a certain proportion of deposits at each branch bank be loaned within the community in which the branch is located, to require that this proportion be posted at each branch, to limit countywide branching to counties with a population greater than 250,000, and to delete the provision permitting holding companies to convert their subsidiaries within a county. The Senate passed SB 10 by voice vote, two members recorded voting no, (Journal page 121).

The HOUSE considered SB 10 on Aug. 26. The House Financial Institutions Committee had recommended an amendment to limit countywide branching to counties with a population of more than 250,000. The committee amendment was tabled by the House by 94 to 46. The House adopted an amendment establishing a bank holiday on the third Monday in January, then passed the bill by non-record vote, with 18 members recorded voting no, on Aug. 27 (Journal page 151). The SENATE concurred in the House amendment by voice vote on Aug. 28 (Journal page 184).

Interstate Banking

SB 11 by Harris and Glasgow allows bank holding companies (firms that own banks) based outside of Texas to acquire subsidiary banks or bank holding companies within Texas.

Out-of-state bank holding companies can acquire only banks that have existed and continuously operated for five years or have filed a charter application before July 15, 1986.

Out-of-state bank holding companies seeking to acquire a Texas bank or bank holding company must file with the banking commissioner an agreement that a majority of the directors of the acquired bank will be Texas residents who are not employees or spouses of employees of the acquired bank or of the out-of-state bank. The agreement must also provide that the out-of-state bank holding company will not own a "non-bank bank" (a bank that provides only limited services) or a savings and loan association in Texas. The commissioner has jurisdiction over an out-of-state bank holding company to enforce this agreement and can impose a fine of up to \$1,000 a day for any violation.

An out-of-state bank holding company must comply with capital adequacy guidelines and maintain the equity capital condition of an acquired bank. The banking commissioner will review the out-of-state bank's compliance with the federal Community Reinvestment Act, particularly its extension of credit to develop and meet the credit needs of low- and moderate-income areas, its investment in housing, small farm or business programs for low- and moderate-income areas, its investment in loans for residential mortgages, home improvements, housing rehabilitation, small businesses and small farms, its investment for revitalization of low- or moderate-income communities, and its investment in state and local bonds in its trade area, and ensure that banking services will remain available to all segments of the public and the economy, especially for economic development and increased employment.

No out-of-state bank holding company may control more than 25 percent of the total deposits in the state.

SB 11 becomes effective Jan. 1, 1987.

The SENATE considered SB 11 on Aug. 20. An amendment to include consideration by the banking commissioner of an acquiring bank's compliance with the Community Reinvestment Act, including review of specific community investments, was adopted by a vote of 17 to 11 nays after a motion to table was defeated when Lt. Gov. Hobby broke a 14 to 14 tie vote. Also adopted were amendments authorizing the Banking Department to assure that banking services remain available to all

segments of the public and requiring compliance with capital-adequacy guidelines and maintenance of the financial strength. The Senate defeated proposed amendments to impose a 1-percent bank acquisition fee, to require an acquisition to bring net new funds to Texas, and to require an acquisition to maintain funds for economic development and diversification in the state. The Senate passed SB 11 by voice vote after voting to suspend the three-day rule by 26 to 2 (Journal page 114).

The HOUSE considered a committee substitute to SB 11 on Aug. 26. The committee substitute encouraged the banking commissioner to give priority to the availability of banking services in the review of an out-of-state bank's compliance with the Community Reinvestment Act. SB 11, as passed by the Senate, would have given the Banking Department authority to ensure the availability of banking services. The House defeated all proposed floor amendments, which would have required an acquired bank to make loans in Texas equal to at least 75 percent of its deposits by Texans, forbidden the use of deposits in an acquired bank to compensate for losses from foreign loans, imposed a 1-percent acquisition fee to be used to assist small and minority businesses, made mandatory consideration of specific community investments, reinstated the Senate's clause giving the Banking Department authority to ensure the availability of banking services, required the commissioner to disapprove an application by a bank that did not comply with the Community Reinvestment Act, required annual public reports of compliance with the Community Reinvestment Act, limited interstate acquisitions to failed or failing banks, prohibited acquisitions by banks owned by foreign banks, and made June 19 a bank holiday.

The House passed SB 11, as amended, on Aug. 27 by non-record vote, seven members recorded voting no (Journal page 151). The SENATE concurred with the House amendment by voice vote on Aug. 28 (Journal page 184).

Out-of-state Business for S&Ls

SB 31 by Jones gives Texas savings and loan associations the authority to do business in any state or U.S. territory, with the prior approval of the Texas savings and loan commissioner. Texas banks already have the authority to operate out of the state.

SB 31 passed the SENATE on Aug. 25 by 27 to 1 (Journal page 141). The HOUSE passed the bill on Aug. 27 by non-record vote (Journal page 152).

Closing of Savings and Loan Associations

HB 64 by Granoff gives the savings and loan commissioner the authority to close a savings and loan association if the S&L is insolvent or in imminent danger of insolvency, or if its assets have been dissipated by unsound practices or legal violations. The commissioner can liquidate the S&L or turn over the assets to the Federal Savings and Loan Insurance Corporation (FSLIC). The federal law that had given this power to the commissioner had expired.

HB 64 deals primarily with regulation of money order sales. The section of the bill concerning the closing of savings and loans was added in the Senate State Affairs Committee and was accepted by the House and Senate.

Regulation of Money-Order Sales

HB 64 by Granoff increases protection of money-order purchasers by increasing the net-worth requirement and surety bond for a license to sell money orders, requiring more frequent reports and audits of licensees by the banking commissioner, and stiffening penalties for violation of the Sale of Checks Act.

The HOUSE passed the bill by non-record vote on Sept. 1 after suspending the three-day rule by 114 to 5 and amending the bill to change certain reporting requirements and penalties (Journal page 243). The SENATE added an amendment allowing the savings and loan commissioner to close insolvent S&Ls, then passed HB 64 on Sept. 3 by 28 to 0 (Journal page 293). The HOUSE concurred with the Senate amendments on Sept. 4 by 123 to 0 (Journal page 283).

PARI-MUTUEL WAGERING ON HORSE RACES AND GREYHOUND RACES

SB 15 by Harris, the Texas Racing Act, would permit pari-mutuel wagering on horse races and greyhound races on a local-option county basis, provided that the voters approve the bill in a statewide referendum on Nov. 3, 1987. If the voters reject the referendum proposal, and the referendum is subsequently invalidated by a court, the act would expire as soon as the judgment of the court became final.

The act would exempt persons who engage in pari-mutuel wagering on horse and/or greyhound from prosecution under the anti-gambling provisions of secs. 47.01, et seq. of the Texas Penal Code.

Voter approval would be required before a racetrack license could be issued in a county. A local-option county election could be initiated by either the county commissioners court or a voter petition signed by a number of registered voters equal to 5 percent of the votes cast in the county in the last gubernatorial election. If a license proposal failed, another election could not be held in that county for five years. A local-option election to rescind pari-mutuel wagering could be held two years after the local election permitting pari-mutuel wagering.

A racetrack could not operate in a home-rule city unless a majority of the voters in the city had voted in favor of pari-mutuel wagering in the statewide referendum, even if pari-mutuel wagering was approved in a local-option county election.

Administration

The Texas Racing Commission would consist of six members appointed by the governor, and two ex officio members. Ex officio members would be the chairman of the Public Safety Commission and the comptroller of public accounts. The commissioners could not have any financial interest in or be related to anyone with financial interest in a racetrack. To prove this, they would be required to submit detailed, sworn financial statements. Commissioners would be prohibited from accepting payment from a racetrack association, placing a bet on a race in Texas, or accepting any winnings from a race in Texas. Racing commissioners would receive a per-diem allowance and reimbursement for expenses. The commission would be placed under the provisions of the Sunset Act and, unless renewed, would be abolished on Sept. 1, 1993.

Regulation and Enforcement

The racing commission would regulate all Texas horse racing and greyhound racing in Texas, whether or not it involved pari-mutuel wagering. The commission would be divided into two separate areas of expertise: greyhound racing and horse racing. The commission would act as single unit regarding matters that deal with both.

The commission would establish rules for racing and would oversee all aspects of horse races and greyhound races. All racing participants, except spectators, would be required to apply for a license at least every three years. The Department of Public Safety would check the fingerprints of all applicants. The commission could deny a license if this background check brought to light unethical or criminal behavior.

The commission would issue three types of horse-track licenses:

Class-1 tracks -- No more than four class-1 tracks could operate statewide. They could operate in a county, or a county adjacent to, a county with a population of 750,000 or more (Harris, Dallas, Bexar, and Tarrant). These tracks would race for a minimum of 45 days a year. The application fee would be at least \$15,000.

Class-2 tracks -- There would be no limit on the number of class-2 racetracks. These tracks would race for no more than 44 days a year, except a class-2 racetrack located in a national historical district could race more than 44 days a year. The application fee would be at least \$7,500.

Class-3 tracks -- These racetracks would be operated by a county or nonprofit fair. They could not race more than 16 days a year. The application fee would be at least \$2,500.

The commission could only license three greyhound racetracks in the state. The application fee would be at least \$20,000. Each greyhound track would have to be located in a county with a population of 190,000 or more that includes all or part of a Gulf island (Galveston, Nueces, Cameron). Greyhound-racetrack operators could have as many as 300 evening and 150 matinee performances each year. (A performance would be not more than 13 consecutive races.)

A racetrack license applicant would have to be a U.S. citizen and a ten-year resident of Texas. If the applicant were a corporation, over 50 percent of the stock would have to be owned by Texans, and the corporation would have to be incorporated in Texas. A majority of any applying partnership, firm, or association would have to be ten-year residents of Texas. The commission could deny a racetrack license to

anyone with a background of unethical or criminal behavior. No person could hold financial interests in more than two racetracks.

Before receiving a track license, an applicant would have to post a \$100,000 bond. The commission could issue a temporary license for racing in the county where the permanent track would be built, and it could deny a license to an applicant who began construction of the track prior to approval. Any construction or renovation plan that would cost more than \$5,000 would be subject to commission approval.

The commission would require all racing associations (racetrack operators) to keep financial records and submit financial statements. The commission could enter racetrack offices and subpoena records and witnesses. Commission employees would be prohibited from having any financial interest in a racetrack and from racing horses and greyhounds in Texas.

The commission would approve all racing officials for each race and would appoint three stewards and a state veterinarian to supervise each horse race meeting and three judges and a state veterinarian for each greyhound race. The commission would pay the three stewards for each horse race. The commission would employ one judge for a greyhound race, and the other two judges would be paid by the greyhound racetrack operator. The veterinarians at each race would be paid by the respective racetrack operators. Stewards and judges would be designated peace officers with the power to impose a maximum \$5,000 fine and a one-year suspension for unethical practices or violations of racing rules. Offenses requiring greater penalties would be referred to the commission.

The Texas Veterinary Medical Diagnostic Laboratory would conduct tests for prohibited drugs. The commission would maintain and exchange criminal justice information and record checks with other states and agencies, and it would establish provisions for anonymous reporting of violations. The commission would require post-race testing of animals.

The commission would not permit wagering by telephone or on credit. Automatic teller machines could not be placed in the racetrack enclosure.

Touting (giving tips or soliciting bets), race fixing, allowing bookies into the track enclosure, and using illegal medication or credentials would be third-degree felonies (punishable by two to ten years in prison and a fine of up to \$5,000), and offenders would be subject to an indefinite suspension from racing or from the racing enclosure itself. For lesser offenses and any infraction of commission rules, offenders would be ejected from the racing

enclosure. Entry after ejection would be a class-A misdemeanor (carrying a maximum penalty of a \$2,000 fine and one year in jail).

Persons of legal drinking age (21) could wager. All minors younger than 16 would have to be accompanied at the tracks by a parent or guardian. All wagering would take place within the track enclosure. The commission would determine whether to prohibit Sunday racing and would grant tracks up to five additional racing days a year for "charity days," during which the track's revenues would be donated to charities.

Distribution of Revenue

A horse racing association would deduct up to 20 percent for every pari-mutuel pool to be split among the state, race winners and the association (racetrack operators). Five percent of the pool would go to the state, 5 percent to the purses for race winners, and 8 or 10 percent to the association, depending on the type of wager. On a regular wager (wagering on a single animal in a single race) the association would collect 8 percent of the pari-mutuel pool. On multiple wagers (wagering on two or more animals in one or more races, or on one animal in more than one race) the association would collect 10 percent.

The breakage (a few pennies per payback on each dollar wagered) on horse racing would be set aside for purse supplements for daily Texas-bred races and for special awards for Texas-bred horses.

A greyhound-racing association would deduct up to 20 percent from every pari-mutuel pool to be split among the state, race winners, and the association. Six percent of the pool and 50 percent of the breakage would go to the state. At least 3.5 percent of the pari-mutuel pool would be used for the purse and would be divided between the dog owner (35 percent) and the contract kennel (65 percent). The association would receive 8.5 percent to 10.5 percent of the pool depending on the type of wagering--regular or multiple. The remaining 50 percent of the breakage would be evenly divided between the association and the Texas Greyhound Breeders Association.

The comptroller would collect the state's share of each pari-mutuel pool and deposit it in the General Revenue Fund. The commission would deposit the money it collected from licenses and fees in the State Treasury to the credit of the Texas Racing Commission Fund. The Texas Racing Commission Fund could only be appropriated to administer and enforce the Texas Racing Act. Any unappropriated money in the fund would revert to the General Revenue Fund at the end of the biennium. Funds could be appropriated from the General Revenue Fund to administer the act, however, the racing fund would have to

reimburse the General Revenue Fund within one year of the appropriation, plus 12 percent interest.

County commissioners courts could levy and collect a 15-cent admission fee from tracks within the county. The counties could collect an additional 15-cent fee to be distributed among cities in the county according to their populations.

The SENATE passed the bill on Aug. 26 by 17 to 12 after adding some clarifying amendments (Journal page 167). The Senate defeated several amendments, including one that would have dedicated state revenue from pari-mutuel wagering to Aid to Families with Dependent Children. The HOUSE amended the bill to allow an election to rescind pari-mutuel wagering at the local level, to require post-race testing of animals, to prohibit wagering by telephone and credit, and to prohibit pari-mutuel wagering in a city unless a majority of the voters in that city voted in favor of wagering in the statewide referendum. The House rejected several amendments, including one that would have held the entire act invalid if the courts invalidated the referendum before it was held. The House passed the bill on Aug. 29 by 75-59-2 (Journal page 220). The SENATE concurred with the House amendments on Sept. 1 by voice vote after defeating a motion not to concur by 15 to 11 (Journal page 265). The Governor allowed the bill to become law without his signature.

PRESIDENTIAL AND GENERAL PRIMARIES IN MARCH

SB 4, by Edwards, Traeger and Sarpalius, will establish a presidential-preference primary on the second Tuesday in March. It will also move the general party primary from the first Saturday in May to the second Tuesday in March, in both presidential and non-presidential election years. The general party primary runoff will be on the second Tuesday in April, rather than the first Saturday in June as previously. The filing deadline for primary elections will be on Jan 2. rather than the first Monday in February.

The party precinct conventions will be held on the general primary date in March (March 8 in 1988). The county and district conventions will be held on the second Saturday after the general primary (March 19 in 1988). The state party conventions will remain in June, on a date set by the state party executive committees.

The uniform election date for local elections will move from the first Saturday in April to the third Saturday in May. Local governments holding regular elections in April will automatically move those elections to May, unless they choose before Sept. 10, 1987, to move their April election to the third Saturday in January.

A political party in Texas must hold a presidential primary in order to have its presidential and vice-presidential candidates on the November ballot, if it fits the following criteria: the party nominates its state and county candidates by primary election, the national party has authorized use of presidential primaries, and the national party has decided that it will hold a presidential nominating convention.

Candidates in the presidential primary will be placed on the ballot in a manner provided by state party rule. Presidential candidates must qualify by Jan. 2, the filing deadline for all other candidates. In any petition procedure to obtain a place on the presidential primary ballot, a registered voter cannot sign the petition of more than one presidential candidate.

The presidential primary will be held in conjunction with the general primary. The presidential primary ballot will be in the same form as the general primary ballot. The presidential primary will come first on the party primary ballot. Voters will choose one name from the list of candidates. Party rules can permit an "uncommitted" choice on the ballot.

The presidential primary will be financed with state funds, along with the general primary.

The state party executive committee will determine by party rule how delegates will be allocated based on the presidential primary results. However, at least 75 percent of the state delegates to the national party convention, excluding delegate slots allocated to elected and party officials, must be allocated, according to party rule, among one or more of the presidential candidates based on the presidential primary results.

The parties must submit their delegate-selection rules to the secretary of state by Jan. 5 of the presidential election year, or later for good cause shown, or else their presidential and vice-presidential candidates will be omitted from the November ballot.

A candidate in the March presidential primary election is ineligible for a position on the Texas ballot in November as an independent candidate for president or vice president.

A presidential candidate, or at least 25 persons acting on behalf of the uncommitted position, can obtain a vote recount if there is a difference of less than 10 percent in votes between that candidate and the next candidate who is entitled to receive delegate representation.

The Texas Constitution provides that when certain office holders announce their candidacy for another office, that constitutes an automatic resignation from their current office. SB 4 provides that circulation of a petition for a place on the ballot, or filing a campaign treasurer designation, does not constitute an announcement of candidacy for purposes of the automatic-resignation provisions of the Constitution.

SB 4 takes effect on Sept. 1, 1987.

The SENATE passed SB 4 on Sept. 11 by voice vote after voting 21 to 2 to suspend the regular order of business (Journal page 31). The HOUSE passed a committee substitute for SB 4 on Sept. 27 by non-record vote. The committee substitute required that at least 75 percent of delegates be allocated based on the presidential primary results, rather than 90 percent, and added some unrelated changes to the Election Code, such as clarifying the automatic resignation requirement to run for another office. (Journal page 193). The SENATE concurred with the House amendment on Sept. 29 by voice vote, two members recorded voting no (Journal page 116).

EDUCATION/TEACHERS

School Discipline Revisions

HB 13 by Haley revised the school-discipline laws to allow local school boards to suspend a problem student for up to six days per semester before first having to remove the student to an alternative education program. The same standards used in removing problem students to alternative education programs, such as the grounds for removal and school board appeals, also now apply to suspending the students. No student may be suspended for being truant or tardy.

The new law encourages parents of problem students to participate in disciplining their children. School officials must try to persuade parents of repeatedly disciplined children to confer with school officials. The bill expresses legislative intent that parents are responsible for the supervision of suspended students.

Teachers may remove from the classroom any students whose repeated interference with classroom communication is documented, and they may recommend suspensions or expulsions.

The new law specifies grounds for expelling a student. These include assaulting another student or teacher; dealing in, using, or possessing marijuana or other dangerous drugs; dealing in or repeatedly using or possessing alcoholic beverages; possessing a weapon; or repeatedly disobeying school rules after having been sent to an alternative education program.

The HOUSE passed HB 13 on Aug. 15 by 145 to 0 (Journal page 59). The SENATE added an amendment that changed the requirement that a school board send a copy of an order expelling a student to any child-protective agencies and the prosecutor dealing with juvenile cases. Instead, a school board is required to send a copy of the expulsion order to the appropriate juvenile court officer. The officer will determine whether to refer the student to a particular state agency. The Senate passed the bill on Aug. 21 by 28 to 0 (Journal page 133). The HOUSE concurred with the Senate amendments by 142 to 0 on Aug. 26 (Journal page 136).

School Paperwork Reduction

HB 50 by Shea/Glossbrenner requires the State Board of Education, the Central Education Agency, and local school districts to reduce the paperwork required of teachers. The new law prohibits school

districts from requiring teachers to write reports other than on the topics of textbooks, students' grades, unit or weekly lesson plans, attendance, or any other reports specifically required by law or rule. In addition, the State Board must reduce the number and length of reports required of local districts.

The HOUSE amended the bill to delete a requirement that the Central Education Agency investigate the paperwork-reduction efforts of each school district at least once during the 1987-88 school year (Journal page 155), then passed the bill on Aug. 28 by 146 to 1 (Journal page 206). The SENATE passed the bill by 28 to 0 on Sept. 3 (Journal page 294).

Early Retirement for Certain Teachers

HB 38 by Delco allows teachers who are 50 years old and have been members of the Teacher Retirement System (TRS) for at least 20 years, but were not members in September 1986, to retire and receive actuarially reduced benefits. The special retirement benefits are available only until Jan. 31, 1987. The bill is aimed primarily at those teachers who twice failed the literacy test required to maintain their certification.

The HOUSE passed the bill by 144 to 3 on Sept. 27 (Journal page 196). The SENATE passed the bill by 30 to 0 on Sept. 30 (Journal page 142).

PRISONS

Banning Mandatory-Supervision Release of Violent Offenders and Changing the Prison Overcrowding Trigger for Accelerated Releases

SB 40 by Lyon/McFarland prohibits the automatic release to mandatory supervision of persons convicted of capital murder, aggravated kidnapping, aggravated sexual assault, aggravated robbery, and offenses involving the use of a deadly weapon. Under mandatory supervision, inmates whose calendar time served plus good-conduct time earned equals their sentence are automatically released to be supervised by the Board of Pardons and Paroles for the remainder of their sentences. This provision takes effect on Sept. 1, 1987 and will apply only to inmates sentenced for an offense committed on or after the effective date.

Under the Texas Prison Management Act, when the Texas prison system reaches 95 percent capacity, the Governor was required to add 30 days of good conduct time to prison trustees and to inmates not convicted of one of the offenses listed above and to advance by 30 days the parole eligibility and review dates for those inmates. SB 40 changes the trigger for activating accelerated release. Prison capacity now must remain at 95 percent or more for five consecutive days, or for 20 days during a 30 day-period, before the accelerated release requirements are activated.

The SENATE passed the bill on Sept. 23 by voice vote (Journal page 79). The HOUSE amended the bill to prohibit persons convicted of an offense involving the use of a deadly weapon from being released on mandatory supervision and also added the change in the accelerated release trigger. The House passed the bill on Sept. 30 by 139 to 0 (Journal page 226). The SENATE concurred with the House amendment by 28 to 0 on Sept. 30 (Journal page 159).

Reclassification of TDC Employee Salaries

HB 78 by Melton ensures that those Texas Department of Corrections employees who are reclassified to lower salary groups as a result of a recent classification audit will not receive salary reductions for that reason. It applies only to those employees whose positions are reclassified between Sept. 1, 1986 and Aug. 31, 1987.

The HOUSE passed the bill on Sept. 27 by 146 to 1 (Journal page 194). The SENATE added an amendment excluding from eligibility those employees reclassified before Sept. 1, 1986 then passed the bill on Sept. 30 by 30 to 0 (Journal page 140). The HOUSE concurred with the Senate amendment by 138 to 0 on Sept. 30 (Journal page 231).

DRIVERS/HIGHWAYS

Changing Maximum Speed Limits

HB 81 by Harrison/Shaw grants the State Highway and Public Transportation Commission authority to change state speed limits to the degree allowed by federal law. The U. S. Congress may allow the states to set a 65 mph speed limit on rural stretches of Interstate highways -- HB 81 gives the Highway Commission the flexibility to respond to that change should it occur.

The HOUSE passed the bill on Sept. 29 by 131 to 2 (Journal page 201). The SENATE passed the bill by 29 to 1 on Sept. 30 (Journal page 143).

Lowering Fee for Personalized License Plates

HB 3 by Ceverha lowers the fee for personalized automobile license plates from \$75 per year to \$40 per year, in an effort sell more and consequently raise more revenue. HB 3 makes these plates available on a staggered, year-round basis instead of only twice a year. In addition, automobile owners will receive a new set of personalized plates only once every six years for the same car, instead of every year. For the other years, the Department of Public Safety will issue the personalized plate owner a symbol, tab, or other device to attach to the plates as proof of registration.

The HOUSE passed the bill on Aug. 22 by non-record vote, one recorded voting no (Journal page 94). The SENATE amended the bill by striking language giving car owners who buy personalized plates the option of paying their registration fee for either one year or two, then passed it by voice vote on Sept. 2 (Journal page 273). The HOUSE concurred with the Senate amendments by non-record vote on Sept. 3 (Journal page 274).

Limiting Availability of Drivers' Records

SB 44 by Mauzy prohibits the Department of Public Safety from giving information on completion of driving courses to third parties who request an individual's driving record. It also raises the fee for obtaining driving records from \$2 to \$3 for third-party requests and from \$2 to \$3.50 for individuals requesting their own records.

The SENATE passed the bill on Sept. 24 by voice vote (Journal page 87). The HOUSE passed the bill by non-record vote on Sept. 27 (Journal page 193).

Overweight-Vehicle Permits by Telephone

HB 14 by Cain allows the State Department of Highways and Public Transportation to issue overweight-vehicle permits by telephone. This lets the department issue both oversize-vehicle and overweight-vehicle permits from a centralized phone-in location.

The HOUSE passed the bill on Sept. 1 by 119 to 1 (Journal page 244), and the SENATE passed the bill by 28 to 0 on Sept. 3 (Journal page 292).

MISCELLANEOUS

Child Support Enforcement

SB 26 by McFarland brings the Texas child-support collection laws into compliance with federal law, allowing the state to continue receiving federal funds for child-support collection enforcement.

The new law creates an administrative proceeding in which the attorney general can order that delinquent child-support payments be withheld from the wages of anyone who is behind by one month or more in those payments. Anyone whose wages are ordered withheld under this proceeding can appeal the order in court.

SB 26 specifies that any wages ordered withheld for delinquent child support must be either an amount sufficient to pay the delinquent support within two years or to add 20 percent to the current monthly payment, whichever is less. In any case, the courts can only withhold up to 50 percent of a person's wages.

Employers who are required to withhold wages can deduct \$5 from the employee's salary to cover administrative costs, instead of deducting the \$5 from the amount of the child support payment required to be withheld. In addition, an employer who must withhold from the wages of more than one employee can combine the withheld amounts and make a single payment to the appropriate agency.

The new law provides for interstate enforcement of alimony in Title IV child-support cases in which the child is living with the spouse entitled to the alimony.

SB 26 also gives priority to the processing of cases enforced under federally approved child-support enforcement programs and establishes an expedited process for disposing of these cases. HB 27, the district-court filing fee bill, creates a special account for funding additional staff to comply with this provision.

The SENATE passed the bill on Aug. 28 by voice vote (Journal page 202). The HOUSE added an amendment deleting the requirement that child-support payments be paid directly through the attorney general's office and not through any other agency, then passed the bill on Sept. 2 by 77 to 48 (Journal page 268). The SENATE concurred with the House amendments by voice vote on Sept. 3 (Journal page 291).

Adult Foster Care Homes

SB 32 by Krier raises from three to four the number of mentally retarded/mentally ill adults that a foster-care home operating under Texas Department of Human Services rules can serve without also being licensed as a personal-care home by the Texas Department of Health.

The SENATE passed the bill on Sept. 23 by 29 to 0 (Journal page 78). The HOUSE passed the bill by non-record vote on Sept. 27 (Journal page 192).

County Government Self-Insurance Pool

HB 99 by Gavin/Buchanan allows county governments to establish a risk-management pool to provide general liability insurance for counties. Counties will pay fees and premiums to the pool to obtain coverage.

The HOUSE passed the bill on Sept. 1 by non-record vote after suspending the three-day rule by 119 to 2 (Journal page 247). The House amended the bill to ensure that any county applying to the pool will receive coverage for at least one year, regardless of its loss history. The Senate amended the bill to remove all local-government insurance pools from the jurisdiction of the State Board of Insurance and passed it by 28 to 0 on Sept. 3 (Journal page 294). The HOUSE concurred in the Senate amendment on Sept. 4 by 122 to 1 (Journal page 289).

Liability Insurance for Migrant and Community Health Centers

SB 23 by Barrientos adds federally approved migrant and community health centers to the list of health-care providers that can obtain liability insurance coverage from the Medical Liability Insurance Underwriting Association. The association is a state-created insurance pool providing medical liability-insurance coverage to certain health-care providers unable to obtain coverage from private insurance companies.

The SENATE passed the bill by voice vote on Sept. 15 (Journal page 40). The HOUSE passed the bill by 100 to 3 on Sept. 22 (Journal page 102).

Venue of University Interscholastic League Suits

HB 63 by R. Smith requires that suits involving the University Interscholastic League or the interpretation of its rules be tried in Austin. These suits were formerly tried in the county where the dispute arose. The purpose of the change is to provide a single, neutral forum for such lawsuits. Suits involving a Travis County school district will be heard by a visiting judge.

The HOUSE passed the bill by 145 to 2 on Sept. 27 (Journal page 195). The SENATE passed the bill by 22 to 8 on Sept. 30 (Journal page 142).

State-Agency Productivity Bonuses

SB 13 by Leedom will award a productivity bonus to state agencies or divisions that show a surplus at the end of a fiscal year without decreasing the level of required services for that year. Participating agencies will receive awards up to 25 percent of the total they have saved. However, no single employee's productivity award will exceed \$5,000. A Productivity Bonus Commission will review and approve state-agency productivity plans and bonuses. The bill states legislative intent that no agency receiving a productivity bonus for reducing expenses will be penalized with a corresponding reduction in its next biennial appropriation.

The bill takes effect on Sept. 1, 1987.

The SENATE passed the bill on Sept. 8 by voice vote (Journal page 14). The HOUSE passed the bill by non-record vote on Sept. 25 after adding an amendment dealing with staffing of another commission (Journal page 131). The SENATE concurred with the House amendment by voice vote on Sept. 25 (Journal page 95).

Training Programs to Assist State Agencies

SB 43 by McFarland clarifies that employment training programs, such as the Texas Conservation Corps, may contract to provide services to state agencies. The Interagency Cooperation Act already allows

state agencies to contract with other state agencies for labor, material, and equipment services. SB 43 includes among the "agencies" job-training programs that are substantially funded with federal money and created by executive order.

The SENATE passed SB 43 on Sept. 24 by 26 to 0 (Journal page 86). The HOUSE passed the bill on Sept. 29 by non-record vote (Journal page 211).

Texas Treasury Safekeeping Trust Company

SB 8 by Jones creates the Texas Treasury Safekeeping Trust Company, a depository institution that gives the state treasurer access to Federal Reserve System services, such as transferring money and book-entry securities to settle state agency securities transactions and holding collateral used to secure public funds. The bill enables all securities investments made by state agencies and state retirement systems to be held in the name of the State of Texas and to be properly accounted for, as requested by the state auditor.

The SENATE passed the bill on Sept. 8 by 26 to 0 (Journal page 12). The HOUSE passed the bill by 111 to 2 on Sept. 12 (Journal page 47).

Collection of Disputed Royalties from Leases on State Land

HB 32 by Craddick establishes a procedure for the General Land Office to recover disputed royalties due to the state for oil and gas leases on state land. The bill was intended to clarify the authority of the GLO to conduct audits of royalties due to the state and resolve disputes over those royalties. If an administrative hearing finds against a lessee, any payment found due must be placed in an interest-bearing account in the State Treasury while any court appeal is pending. If the court finds in the lessee's favor, the lessee receives the deposited money paid earlier under protest, plus the interest.

The HOUSE passed HB 32 on Sept. 12 by 113 to 0 (Journal page 48). The SENATE made some clarifications and passed the bill on Sept. 17 by 26 to 0 (Journal page 57). The HOUSE concurred with the Senate amendments on Sept. 17 by 131 to 0 (Journal page 275).

Farm and Ranch Loan Program Bonds

HB 67 Patterson allows negotiated sales by the General Land Office to financial institutions of bonds for the farm and ranch finance program, as long as the total amount of bonds sold in a series or issue is less than \$20 million. The prior procedure for sale of such bonds involved a sealed bid, but the new federal tax reform law makes that procedure expensive.

The HOUSE passed HB 67 on Sept. 27 by 147 to 0 (Journal page 195). The SENATE passed the bill on Sept. 30 by 30 to 0 (Journal page 145).

Water-Rights Cancellation Exemption

HB 59 by Parker allows Texas farmers and ranchers to participate in the federal Conservation Reserve Program and also retain their state water rights. The federal program pays farmers to withhold their land from production for several years, but state law had provided that farmers would lose the water rights on their land if those rights were not used within 10 years.

The HOUSE passed the bill on Sept. 22, 1986 by 129 to 0 (Journal page 102). The SENATE passed the bill on Sept. 29 by a vote of 30 to 0 (Journal page 117.)

Water Supply Corporations

HB 46 by Polumbo expands the jurisdiction of local, nonprofit water supply corporations to include flood control and drainage systems. It authorizes water supply corporations to contract and share their profits with cities, counties, and other political subdivisions.

The HOUSE passed the bill by 119 to 5 on Sept. 24 (Journal page 132). The SENATE passed the bill by 27 to 1 on Sept. 30 (Journal page 144).

Collection of Money Due to Sesquicentennial Commission

HB 41 by Wallace allows the comptroller, rather than the Texas 1986 Sesquicentennial Commission, to audit manufacturers of official sesquicentennial products. At the request of the commission, the comptroller will collect any money due.

The HOUSE passed HB 41 on Sept. 26 by non-record vote (Journal page 143). The SENATE passed the bill on Sept. 30 by voice vote (Journal page 143).

Sale of Texas Souvenirs

HB 43 by Wallace allows the State Preservation Board to continue the sale of Texas souvenirs in the Capitol through 1988 and to permit the sale of Texas souvenirs at tourist information bureaus on interstate highways through 1988.

The HOUSE passed the bill by non-record vote on Sept. 26 (Journal page 143), and the SENATE passed the bill by 30 to 0 on Sept. 30 (Journal page 143).

Fee for Imported Alcoholic Beverages

HB 22 by Hall requires those importing liquor and wine for personal use to pay a 25-cent administrative fee, in addition to the state tax. A separate 25-cent fee is levied on beer imported for personal consumption.

The HOUSE passed the bill on Sept. 11 by 119 to 6 (Journal page 35). The SENATE passed the bill by 27 to 0 on Sept. 18 (Journal page 64).

Alcoholic Beverage Permits for Trains

SB 3 by Traeger allows the Texas Alcoholic Beverage Commission to issue alcoholic-beverage permits for passenger trains owned by Amtrak and other railroad companies organized under federal law. Passenger trains organized under Texas law may already receive such permits.

The SENATE passed the bill on Sept. 8 by 26 to 0 (Journal page 14). The HOUSE passed the bill by 111 to 14 on Sept. 11 (Journal page 33).